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FM AMEMBASSY LIMA  
TO RUEHC/SECSTATE WASHDC PRIORITY 2926  
INFO RUEATRS/DEPT OF TREASURY WASHDC  
RHEBAAA/DEPT OF ENERGY WASHDC  
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC  
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC  
RUEHBJ/AMEMBASSY BEIJING 0377  
RUEHBR/AMEMBASSY BRASILIA 7059  
RUEHBU/AMEMBASSY BUENOS AIRES 2650  
RUEHSG/AMEMBASSY SANTIAGO 0930  
RUEHBO/AMEMBASSY BOGOTA 4067  
RUEHLP/AMEMBASSY LA PAZ NOV QUITO 0790  
RUEHCV/AMEMBASSY CARACAS 9884

UNCLAS LIMA 004321

SIPDIS

STATE FOR EB, WHA/AND, WHA/EPSC, EB/ESC, OES  
TREASURY FOR A. JEWELL, J. LEVINE  
STATE PASS TO EXIM - A. FOLEY, C. O'CONNOR, R. WILLIAMSON  
DEPT OF ENERGY FOR PUMPHREY/LADISLAW;DOBRIANSKY/RICHARDS  
ENERGY INFORMATION ADMINISTRATION FOR CHARLES ESSER  
DEPT PASS TO INT/USGS/RESTON FOR D. MENZIE/A. GURMENDI  
USAID FOR LAC, EGAT

SENSITIVE  
SIPDIS

E.O. 12958: N/A  
TAGS: [EPET](#) [ENRG](#) [EINV](#) [SENV](#) [PE](#)  
SUBJECT: PLUSPETROL, ACHUAR AND GOP END AMAZON CONFLICT

¶1. (U) SUMMARY. Argentina's oil company Pluspetrol, the GOP and the regional government of Loreto signed an agreement October 22 with the Achuar indigenous communities of Peru's Amazon to end a three-week environmental and social conflict. The Achuars, supported by local and international NGOs, had occupied five production fields to pressure the GOP and Pluspetrol. Pluspetrol will cease dumping contaminated water into the Corrientes River earlier than it had previously agreed. The GOP and the regional government agreed to take responsibility for decontaminating the area, developing a comprehensive health and development program, and providing temporary food and drinking water to the Achuar. (Note: Pluspetrol is the operator of the Camisea gas fields. End Note.)

¶2. (SBU) Pollution in the area dates back over 30 years, long before Pluspetrol's involvement, and the Achuars' concerns were acknowledged as genuine. Participants and observers, while acknowledging serious pollution, noted that the communities' fundamental concerns were lack of access to tax canon funds and the failure of the state to provide jobs, education and health care. The role of a Peruvian NGO in the dispute may have built impetus behind legislation that would better control NGOs. END SUMMARY.

#### ACHUAR BESIEGE OIL FIELDS

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¶3. (U) The Achuar indigenous communities living in the Corrientes River basin in Peru's northern jungle have long protested pollution by oil spills and salty production water discharged into the rivers and ponds where they fish, with little response from the GOP. After demonstrations in July 2006 in Peru's main Amazon jungle city, Iquitos, they began to lobby the Peruvian government and Congress. With the help of a Peruvian environmental NGO, Racimos de Ungurahui, they occupied several of operator Pluspetrol's oil fields, preventing the company from producing. Pluspetrol estimated that it was losing \$2.4 million per day in sales revenue. Pluspetrol Norte is a consortium operated by Argentine firm Pluspetrol (55 percent) and with participation by the Chinese state oil company (45 percent.)

¶4. (SBU) The Achuars complained that their main sources of food,

fish and game had been affected by leaking oil and associated water discharge (which is hot, oily and briny) dumped into area waters by the operators of concession Blocks 8 and 1-AB. Peru's state oil company Petroperu originally developed Block 8 while Occidental Petroleum developed Block 1-AB, both over 30 years ago. Both dumped contaminated water into rivers and lagoons from the start of their productions; in Petroperu's sites there were several oil spills. Firms familiar with these blocks told us that this area features one of the highest water to oil extraction ratios in the world, with 10 barrels of water for every barrel of oil extracted. Re-injection technology is expensive, those firms said, but in other countries oil companies are required to re-inject the water produced.

¶5. (U) By mid-August, the press reported that Energy and Mines Minister (MEM) Juan Valdivia said the ministry met with Pluspetrol (operator since 1999 for Block 1-AB and 1996 for Block 8) to encourage it to accelerate plans to re-inject the contaminated water. Soon after, Pluspetrol reported that it was currently re-injecting about 210,000 barrels per day (bpd) of contaminated water, and planned to re-inject 100 percent (approximately one million bpd) by December 2009, according to MEM sources.

¶6. (U) After more consultations in early October among the relevant GOP agencies, the regional government of Loreto and Pluspetrol officials to discuss the Achuars' demands, the parties signed an agreement on October 13. Both MEM Minister Valdivia and Health Minister Carlos Vallejo participated. However, the media reported that a national NGO, Racimos de Ungurahui -- advisor to the Achuars -- recommended that they not abide by their agreement and keep the blockade until Pluspetrol and the GOP agreed to advance the deadline to cease water dumping in Block 8 to July 31, 2008 (from December 31, 2008, in the October 13 agreement).

¶7. (SBU) Minister Valdivia and others have told us of their private frustration with the behavior of Racimos de Ungurahui in this negotiation. He complained that the president of Racimos, Lily La Torre, had not acted on the GOP's invitation to participate in the talks that resulted in the initial settlement and then immediately tore apart the accord from the sidelines.

#### DEVELOPMENT DEAL FOR THE ACHUAR

¶8. (U) The GOP and the Loreto regional government also agreed to initiatives including a comprehensive health program and development plan; responsibility for cleanup of the polluted areas; and temporary delivery to the Achuar of food and drinking water. The Health Ministry agreed to evaluate water quality in the area every three months. Pluspetrol agreed to train and pay indigenous environmental monitors. In addition, the MEM decreed that not less than five percent of the Regional government oil canon be used to directly benefit the communities. The Achuars agreed to leave the five production fields once Minister Valdivia signed the agreement, and to channel any further claims through the government's Ombudsman's Office. Pluspetrol confirmed that the Achuar have ceased their blockade and oil production has resumed.

#### POLLUTION IS REAL, BUT THE CONFLICT MAY BE OVER DEVELOPMENT

¶9. (SBU) Representatives of U.S. firm Arcadis have a \$21 million contract to remediate environmental damage in Block 8. They told us that the pollution is severe, with some lagoons many feet deep in accumulated oil. They noted that the state did nothing to require remediation over the many years that Petroperu polluted the area; similarly, Pluspetrol was not required to reinject the water and took little action on its own to remediate. Arcadis told us that while the Achuar are aware of pollution issues, what they most want are jobs and basic services that they have never received. ArcadiQ representatives described its extensive corporate social responsibility program -- employing area residents and providing health care -- and noted thQ Pluspetrol could act more proactively in providing the same.

¶10. (SBU) Carlos Canepa, the chairman of the Congressional Committee on Amazonia, Indigenous Peoples and the Environment reported to us on his participation in the talks with the Achuar. He noted also that while pollution issues are real, the core problem for the Achuar, as they explained it to him, was lack of development. He

reported that of over one million dollars in gas "canon" taxes that are reserved for regional and local development, not one dollar had found its way to development projects for the Achuar. Canepa said that the national, regional, and local governments had ignored development needs for years; the core aim of the oil fields takeover was to get the jobs, health care and education that the Achuar lacked.

OPPOSITION TO OIL ACTIVITIES  
IN OTHER AREAS

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¶11. (SBU) The Achuars stated in the agreement that they do not want the GOP to grant new oil exploration and production concessions in their territories. They have opposed the start up of exploration and production by Burlington Resources (a subsidiary of ConocoPhillips) in Block 104 (Septel reports the September 29 exploration and production agreements between Conoco and the GOP), and of Canada's Petrolifera Petroleum in Block 106, both near Block 18. Although initially GOP officials maintained that it was the government's sole prerogative to grant oil and gas concessions, a few days later Minister Valdivia told the local media that oil operations need a favorable "social license."

¶12. (SBU) COMMENT: The role of NGO Racimos in the dispute may have built impetus behind the bill (Septel) that the GOP submitted to the Peruvian Congress in late October, seeking to restrict the

activities of Peruvian and international NGOs.  
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